

Press Release

Gold Star Diamond Private Limited

February 21, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	54.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	54.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE A-**' (**read as ACUITE A minus**) on the bank facilities of Rs. 54.00 crore for Gold Star Diamond Private Limited (GDPL). The outlook is '**Stable**'.

Rationale for Rating Reaffirmation

The rating is reaffirmed on account of consistent business performance and healthy financial risk profile of Gold Star Group. The operating income improved to Rs. 1182.75 Cr in FY2021 as against Rs. 864.54 Cr in FY2020. In H1FY2022, the Group has generated revenue of Rs.1052 Cr and expects to close the year at around ~Rs.1800 Cr. The overall gearing stood at 0.56 times as on March 31, 2021 as against 0.48 times as on March 31, 2020. The interest coverage ratio improved to 6.79 times in FY2021 as against 2.43 times in FY2020.

About Company

Mumbai based, Gold Star Diamond Private Limited (GDPL), incorporated in 1995, is engaged in the cutting, polishing and trading of diamonds and is a part of the Gold Star Group of Companies. The revenue from GDPL constitutes around ~15-30 percent of Gold Star group led by Mr. Ankur Shah and Mr. Ashish Shah.

About the Group

The Gold Star group manufactures and exports plain gold and diamond-studded gold jewellery. The group is also engaged in cutting and polishing of diamonds. The jewellery business is carried out through Gold Star Jewellery Private Limited (GJPL) (incorporated in 1990) and the diamond business is carried out through Gold Star Diamond Private Limited (GDPL) incorporated in 1995). The jewellery division accounts for ~70-85 per cent of the group's revenue, and the diamond division for the balance ~15-30 per cent. The group is managed by Mr. Ashish Shah and Mr. Alkesh Shah.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profiles of Gold Star Jewellery Private Limited (GJPL) and Gold Star Diamond Private Limited (GDPL). Hereinafter refer to as 'Gold Star Group'. The consolidation is due to the presence of common promoters, shared brand name, significant operational and financial synergies within the group. Extent of Consolidation: Full

Key Rating Drivers

Strengths

> Established track record of operations and experienced management

The Gold star group has established presence since 1990, in manufacturing and export of diamond-studded gold jewellery and diamonds. The group has established presence of over two decades in the industry and primarily exports to the USA and Europe. The long term relations with some of the renowned wholesalers and retailers in the market has helped the group in getting regular flow of orders. Gold star group also deals with customers in Australia, Canada, Italy and India to name a few. The directors extensive experience of over two decades in the in the gems and jewellery industry and long relationship with its customers has resulted in stable revenues. The Board is well supported by second line of experienced management team. The operating income has improved to Rs. 1182.75 crore in FY2021 as against Rs. 864.54 crore in FY2020. In H1FY2022, the revenues stood at Rs. 1052 Cr. The growth in operating income is driven by revival of demand in key markets and capital expenditure for expansion incurred in FY2020.

Acuité believes that with its long track record of over two decades in the business and long standing relationship with its customers, the group will continue to benefit from its established market position over the medium term.

> Healthy financial risk profile

The financial risk profile of the Group stood healthy marked by healthy net worth, comfortable gearing and moderate coverage indicators. The tangible net worth of the group stood at Rs. 491.30 Cr as on March 31, 2021 as against Rs. 434.96 Cr as on March 31, 2020. The gearing and TOL/TNW stood at 0.56 times and 1.03 times as on March 31, 2021, against 0.48 times and 0.78 times as on March 31, 2020. Total debt of Rs. 277.34 crore as on March 31, 2021 consist of term loans of Rs.42.81 crores, unsecured loans from promoters/director of Rs.0.33 crore, redeemable non-cummulative preference share capital of Rs. 7.00 crore and short term debt of Rs. 227.20 crore. The interest coverage ratio and net cash accruals to total debt (NCA/TD) stood moderate at 6.79 times and 0.24 times respectively for FY2021 as against 2.43 times and 0.20 times respectively in FY2020.

Acuite expects the financial risk profile of Gold Star group to remian healthy over the medium term in absence of any major debt funded capex plan.

Weaknesses

> Working capital intensive nature of operations

The Group's operations remain working capital intensive, marked by gross current asset (GCA) days of 261 days as on March 31, 2021 and March 31, 2020. The receivable days stood high at 180 days as on March 31, 2021 against 156 days in March 31, 2020. The inventory levels reduced marginally as on March 31,2021 as it stood at 65 days as against 96 days as on March 31, 2020. The bank limit utilization ranged around 82 percent in Gold Star Jewellery Pvt Ltd and 51 percent in Gold Star Dimaond Pvt Ltd for the last twelve months through January 2022.

Acuité believes the Group's ability to restrict further elongation in working capital cycle will be a key rating sensitivity.

> Susceptibility to volatility in raw material prices, foreign exchange fluctuation risk

The Group is exposed to volatility in gold and diamond prices. The raw material is procured from the domestic market and overseas market. The Gold Star group derives over 95 per cent of its revenues from export sales. Hence, the profits are susceptible to fluctuations in forex rates. Moreover, the group borrows dollar denominated debt in order to support operations. The group has efficiently managed its forex risk over the past three years despite fluctuations in exchange rates. Though, the group hedges the fluctuation risk by purchasing gold forwards, the revenues still remain susceptible to volatility in the dollar rates.

Rating Sensitivities

- > Ability to improve its scale of operations while maintaining its profitability and capital structure
- > Any further elongation in its working capital cycle

Material Covenants

None

Liquidity Position: Strong

The Liquidity profile of the Group stood healthy marked by net cash accruals of Rs. 65.22 Cr in FY2021 and Rs. 41.19 Cr in FY2020 against repayment obligations of Rs.0.23 Cr and Rs.4.10 cr respectively. The net cash accruals are expected to be in range of Rs. 75-95 Cr through FY22-23 against repayment obligation of Rs.9-12 Cr. The cash and bank balance stood at Rs. 31.37 crores and Current ratio stood at 1.93 times as on March 31, 2021. The gross current asset (GCA) days stood at 261 days as on March 31, 2021. The bank limit utilization ranged around 82 percent in Gold Star Jewellery Pvt Ltd and 51 percent in Gold Star Dimaond Pvt Ltd for the last twelve months through January 2022. Acuité believes that group's net cash accruals and un-utilised bank limits will be sufficient to fund its incremental working capital requirements over near to medium term.

Outlook: Stable

Acuité believes that Gold Star group will maintain a 'Stable' outlook over medium term on account of extensive experience of its management, established track record of operations and healthy financial risk profile. The outlook may be revised to 'Positive' in case the Company achieves higher than expected improvement in its scale of operations while maintaining its profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of slower than expected growth in scale of operations or any further elongation in its working capital cycle impacting its liquidity profile.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	1182.75	864.54
PAT	Rs. Cr.	57.37	33.59
PAT Margin	(%)	4.85	3.89
Total Debt/Tangible Net Worth	Times	0.56	0.48
PBDIT/Interest	Times	6.79	2.43

Status of non-cooperation with previous CRA (if applicable)

None

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Jun 2021	Packing Credit	Long Term	2.73	ACUITE A- Stable (Reaffirmed)
	Packing Credit	Long Term	2.08	ACUITE A- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	15.75	ACUITE A- Stable (Reaffirmed)
	Packing Credit	Long Term	5.25	ACUITE A- Stable (Reaffirmed)
	Packing Credit	Long Term	4.50	ACUITE A- (Withdrawn)
	Post Shipment Credit	Long Term	5.62	ACUITE A- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	4.80	ACUITE A- (Withdrawn)
	Standby Line of Credit	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	7.27	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	9.30	ACUITE A- Stable (Assigned)
07 Apr 2020	Proposed Bank Facility	Long Term	16.91	ACUITE A- (Withdrawn)
	Post Shipment Credit	Long Term	33.44	ACUITE A- Negative (Reaffirmed)
	Packing Credit	Long Term	14.56	ACUITE A- Negative (Reaffirmed)
	Standby Line of Credit	Long Term	6.00	ACUITE A- Negative (Reaffirmed)
18 Jan 2019	Proposed Packing Credit	Long Term	16.91	ACUITE A- Stable (Reaffirmed)
	Packing Credit	Long Term	14.56	ACUITE A- Stable (Reaffirmed)
	Standby Line of Credit	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	32.53	ACUITE A- Stable (Reaffirmed)
03 Nov 2017	Packing Credit	Long Term	17.68	ACUITE A- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	36.32	ACUITE A- Stable (Reaffirmed)
	Standby Line of Credit	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Proposed Packing Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
24 Oct 2016	Packing Credit	Long Term	17.41	ACUITE A- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	35.68	ACUITE A- Stable (Reaffirmed)
	Standby Line of Credit	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Proposed Packing Credit	Long Term	10.91	ACUITE A- Stable (Reaffirmed)

20 Jul 2015	Packing Credit	Term	17.68	ACUITE A- Stable (Assigned)
	Post Shipment Credit	Long Term	36.32	ACUITE A- Stable (Assigned)
	Standby Line of Credit	Long Term	6.00	ACUITE A- Stable (Assigned)
	Proposed Packing Credit	Long Term	10.00	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.25	ACUITE A- Stable Reaffirmed
Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.73	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.08	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	5.62	ACUITE A- Stable Reaffirmed
Bank of India	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	7.27	ACUITE A- Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	15.75	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	9.30	ACUITE A- Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in KanjurMarg, Mumbai.

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